

# **SECTRA**

Documentation to be presented at the  
Annual General Meeting of

**Sectra AB (publ)**

# Tuesday, September 6, 2016

## Agenda

for the Annual General Meeting of shareholders in Sectra AB (publ) Tuesday, September 6, 2016 at 4:00 p.m. (CET) at Collegium, Teknikringen 7, Linköping, Sweden.

### Proposed Agenda

1. Opening of the AGM.
2. Election of Chairman of the AGM.
3. Preparation and approval of the voting list.
4. Approval of the agenda.
5. Election of two persons to certify the minutes.
6. Determination of whether the AGM has been duly convened.
7. Presentation of the Annual Report and the Auditor's Report and the Consolidated Annual Report and Consolidated Auditor's Report.
8. Resolutions regarding
  - (a) Adoption of the Profit and Loss Statement and the Balance Sheet and the Consolidated Profit and Loss Statement and Consolidated Balance Sheet.
  - (b) Allocation of the Company's profit according to the adopted Balance Sheet.
  - (c) Discharge from liability towards the company for the members of the Board of Directors and the Managing Director.
9. Resolution regarding the number of members of the Board of Directors, auditors and deputies.
10. Resolution regarding the fees for the Board of Directors and the auditors.
11. Election of the members of the Board of Directors and the Chairman of the Board, and election of the auditor.
12. Resolution regarding Nomination Committee.
13. Resolution concerning the principles for remuneration and other terms of employment for senior executives of the company.
14. Share split and automatic redemption procedure, to include
  - (a) resolution to implement a share split,
  - (b) resolution to reduce share capital through an automatic redemption of shares, and
  - (c) resolution to increase share capital through a bonus issue.
15. Resolution regarding authorization for the Board of Directors to issue shares.
16. Resolution regarding authorization for the Board of Directors to acquire and dispose of the Company's own shares.
17. Resolution regarding the issue of convertibles to employees.
18. Resolution regarding the issue of convertibles to external members of the Board of Directors.
19. Other matters.
20. Closing of the AGM.

## **The Board of Directors' proposals to be presented at the Annual General Meeting in Sectra AB (publ) on Tuesday, September 6, 2016**

The following proposals have the same numbering as set forth in the Board of Directors' proposed agenda.

### **Election of Chairman of the AGM (item 2)**

The Nomination Committee, consisting of the Chairman of the Board of Directors Carl-Erik Ridderstråle, Torbjörn Kronander, Jan-Olof Brüer, and Nils Bolmstrand representing Nordea Fonder, proposes that Per Nyberg, is elected Chairman of the AGM.

### **Dividend (item 8b)**

The Board of Directors and the Managing Director propose that no dividend is distributed for the financial year 2015/2016. The Board of Directors instead proposes an automatic redemption procedure as set out in item 14 below.

### **Board of Directors (items 9-11)**

The Nomination Committee proposes that the Board of Directors shall comprise of seven members without any deputy directors. Anders Persson, Carl-Erik Ridderstråle, Christer Nilsson, Erika Söderberg Johnson, Jakob Svärdström, Torbjörn Kronander and Jan-Olof Brüer are all proposed to be re-elected as members of the Board of Directors. It is proposed that Carl-Erik Ridderstråle is re-elected Chairman of the Board of Directors. The Nomination Committee's motivated statement in respect of their proposal and other information regarding the proposed members of the Board of Directors is available at [www.sectra.se/agm2016](http://www.sectra.se/agm2016).

The Nomination Committee proposes that Grant Thornton Sweden AB is appointed as auditor until the close of the next AGM.

It is proposed that director fees amount to SEK 185,000 for each of the external members of the Board and to SEK 370,000 for the Chairman of the Board. For the Audit Committee it is proposed that fees amount to SEK 40,000 for each of the external members of the Board and SEK 80,000 to the Chairman of the Audit Committee. No separate fees are paid for Remuneration Committee work. Furthermore, the Nomination Committee proposes that the audit fee shall be paid pursuant to approved account.

The Nomination Committee's proposal is supported by shareholders representing more than 65 per cent of the votes in the Company.

### **Resolution regarding Nomination Committee (item 12)**

The Nomination Committee proposes that the AGM decide on the composition of the Nomination Committee in accordance with the following principles. The Chairman of the Board shall, not later than November 30, 2016, contact the three largest shareholders in the company (based on the number of votes), each of which is then entitled to appoint a member to the Nomination Committee. Should any of the three largest shareholders waive the right to appoint a member to the Nomination Committee, the next shareholder in terms of the largest number of votes shall be offered the opportunity to appoint a member to the Nomination Committee. In addition, the Chairman of the

Board is a member of the Nomination Committee. The Chairman of the Board convenes the Nomination Committee to the first meeting.

The member who represents the shareholder with the largest number of votes shall be appointed Chairman of the Nomination Committee. The Nomination Committee's mandate period extends until a new Nomination Committee is appointed. Should a member resign from the Nomination Committee in advance, an alternate shall be appointed in accordance with the principles above. The composition of the Nomination Committee shall be announced not later than six months prior to the AGM.

The Nomination Committee is composed based on the known shareholding of the company as per October 31, 2016. If significant changes occur in ownership after the Nomination Committee is formed, the composition of the Nomination Committee can also be changed in accordance with the principles above. Changes in the Nomination Committee shall be disclosed immediately.

The Nomination Committee shall prepare and to the AGM propose:

- Election of the Chairman of the Board and other members to the company's Board,
- Board fees divided between the Chairman of the Board and other members as well as possible remuneration for committee work,
- Election of and fees to the auditors and deputy auditors (if applicable),
- Resolution regarding principles for composition of the Nomination Committee, and
- Chairman of the AGM.

No fees are paid to members of the Nomination Committee.

### **Principles for remuneration and other terms of employment for senior executives of the company (item 13)**

The Board proposes that the principles for remuneration and other conditions of employment for senior executives of the company which was adopted at the AGM 2015 shall continue to apply.

Senior executives of the company include the Managing Director/CEO and other members of the senior management.

The remuneration to senior executives of the company shall be based on market terms and should support the interests of the company's owners. Remuneration shall mainly consist of a fixed salary element, a variable salary element, pension benefits and other benefits; for example, use of a company car. The pension benefits shall be in the form of premium.

The fixed salary shall be determined taking into account the executive's experience, responsibility and performance and shall be based on market conditions.

The variable remuneration shall be in proportion to the executive's responsibility and authority. In addition, it shall have a maximum limit and be based on fulfillment of goals that comply with the company's long-term interests. The variable portion shall, when applicable, be based on quantitative and qualitative goals, and may be comprised by share related instruments. The company's costs for the variable portion for the Managing Director and other persons in company management shall amount to not more than 50 per cent of the fixed salary costs.

The period of notice shall be not more than 12 months on the employee's side. In the event that notice is issued by the company, the period of notice and the time during which severance pay is paid out shall not together exceed a total of 24 months.

The normal retirement age shall be 65. Pensions shall be on market terms and based on defined-contribution pension solutions. The pension premium shall be maximized at 30 per cent of the fixed and variable salary.

Members of the Board of Directors with special competence shall receive remuneration on market terms for performed services outside his or her management assignment. Resolutions regarding such remuneration shall be dealt with by the Board of Directors, in which case the party concerned may not take part in the discussions or the related decision.

Issues related to remuneration to company management are handled by the Managing Director. Remuneration to the President is determined by the Board of Directors.

The Board of Directors shall be able to deviate from the guidelines for remuneration drawn up by the AGM, if there are special reasons for so doing in individual instances.

#### **Share split and automatic redemption of shares (item 14)**

The Board of Directors proposes that the AGM resolves on a procedure for the automatic redemption of shares, in accordance with items 14 a – 14 c below. All resolutions are proposed to be conditional upon each other and to be adopted as one single resolution. A valid resolution requires approval of shareholders representing at least two-thirds of both the votes cast and the shares represented at the AGM.

##### *Resolution to implement a share split (item 14 a)*

The Board of Directors proposes that the AGM resolves to implement a share split, whereby one share in Sectra is converted into two shares. One of these shares will be a so-called redemption share. The Board of Directors proposes that the record date for the share split shall be October 5, 2016.

##### *Resolution to reduce the share capital through an automatic redemption of shares (item 14 b)*

The Board of Directors proposes that the share capital is reduced by SEK 18,843,052.50 through the redemption of 2,620,692 Series A shares and 35,065,413 Series B shares for repayment to the shareholders.

The shares to be redeemed are those shares which are referred to as redemption shares after shares have been split as described above. The price to be paid for each redemption share shall be SEK 4.50. The maximum redemption amount will thus be SEK 169,587,473. The Board of Directors proposes that trading in redemption shares shall take place during the period October 6 – 17, 2016 and that the record date for the redemption of the redemption shares shall be October 19, 2016. Payment is expected to be made through Euroclear Sweden AB around October 24, 2016.

##### *Resolution to increase the share capital through a bonus issue (item 14 c)*

In order to achieve a timely and efficient redemption procedure, without having to obtain permission from the Swedish Companies Registration Office or a court of law, the Board of Directors proposes to restore the company's share capital to its original amount by increasing the company's share capital by SEK 18,843,052.50 through a bonus issue via a transfer from the company's unrestricted equity to the company's share capital. No new shares will be issued in connection with the bonus

issue. Upon completion of the bonus issue, the company's share capital will be restored to its original amount.

The Board of Directors' explanatory statement and the auditor's opinions thereon in accordance with Chapter 20, Section 8 of the Swedish Companies Act (2005:551) (the "Act") are set out in **Appendix 1** and **Appendix 2** respectively. The Board of Directors' statement in accordance with Chapter 20, Section 13 of the Act and the auditors' statement in accordance with Chapter 20, Section 14 of the Act are set out in **Appendix 3** and **Appendix 4** respectively.

#### **Resolution regarding authorization for the Board of Directors to issue new shares (item 15)**

The Board of Directors proposes that the AGM resolves to authorize the Board of Directors to issue, on one or several occasions during the period until the next AGM, not more than 3,700,000 Class B shares for payment in cash, payment by set-off of claims or payment in kind, and that for issues where payment is made by set-off of claims or in kind, the Board of Directors shall be able to disregard the shareholders' preferential rights. The subscription price of the new shares shall be determined on the basis of the prevailing market price of the Class B shares at the time of the issue. The purpose of the authorization is to facilitate the use of newly issued shares in connection with the implementation of or for the financing of acquisitions of companies or businesses or parts thereof and in connection with market investments.

A valid resolution requires approval of shareholders representing at least two-thirds of both the votes cast and the shares represented at the Annual General Meeting.

#### **Resolution regarding authorization for the Board of Directors to acquire and dispose of the company's own shares (item 16)**

The Board of Directors proposes that the AGM resolves to authorize the Board of Directors to, on one or several occasions during the period until the next AGM, resolve on the acquisition of shares of the company. Such shares may be acquired up to a maximum amount not at any time exceeding 10 per cent of the total number of shares issued by the company. Acquisitions of shares shall be made either on Nasdaq Stockholm at a purchase price within the range of share prices registered at any given time for the Class B shares, meaning the spread between the maximum buying rate and the minimum selling rate, or by way of an offer to all shareholders, whereby the purchase shall be made at a price which at the time of the decision corresponds at a minimum to the prevailing market price for the Class B shares and at a maximum to 150 per cent of the prevailing market price for the Class B shares. The same price shall apply for Class A shares and Class B shares.

The Board of Directors also proposes that the Board of Directors shall be authorized to resolve, on one or several occasions during the period until the next AGM, to dispose all shares held by the company in connection with the acquisition of companies or businesses or parts thereof, in connection with market investments, for hedging costs that may arise relating to the company's incentive programs and for a continuous adaptation of the company's capital structure and thereby contributing to increased shareholders' value. The shareholders shall have a preferential right to acquire the shares in accordance with the provisions in the articles of association regarding the preferential right to subscribe for new shares, provided that the board of directors shall be entitled to deviate from the preferential right if the shares are paid for by way of set-off or non-cash consideration or if the purpose with the disposal is to secure the costs that arise as a result of the company's incentive program. A disposal of shares via Nasdaq Stockholm may only be made at a price within the range of share prices registered at any given time.

A valid resolution requires approval of shareholders representing at least two-thirds of both the votes cast and the shares represented at the Annual General Meeting.

The Board of Directors' motivated statement in accordance with Chapter 19, § 22 of the Act is set forth in **Appendix 5**.

### **Proposal regarding the issue of convertibles to employees (item 17)**

The Board of Directors proposes that the AGM resolves to issue convertibles with a nominal value not exceeding SEK 35,000,000. The employees of the Group shall subscribe for the convertibles.

The following conditions shall apply to the resolution:

1. Each convertible shall have a nominal value of SEK 1, or multiples thereof.
2. The issue price for the convertibles shall correspond to the convertibles' nominal value.
3. With disapplication of the shareholders' preferential rights, the Group's employees shall be entitled to subscribe for the convertibles in accordance with **Appendix 6**.
4. Subscription shall be made on a subscription list from November 7 – 11, 2015.
5. Payment for the convertibles shall be made in cash not later than December 1, 2016.
6. The convertibles shall carry an annual interest, which is determined for each period and shall be STIBOR (six months) with addition for 2.25 percentage points and shall mature for payment on December 31, 2019.
7. The convertibles entitle the holder to convert to Class B shares. The conversion rate shall correspond to 127.5 per cent of the volume-weighted average of price paid for the company's shares on Nasdaq Stockholm during the period October 6 - 17, 2016. Holders are entitled to request conversion of their convertibles into shares, during the period December 9 – 13, 2019.
8. Assuming full subscription and full conversion of the convertibles, the share capital may increase by not more than SEK 875,000.
9. No excess subscription shall take place.
10. The new shares shall yield a right to dividend from the first record day for dividend that occurs after the conversion has taken place.

In addition hereto, the terms and conditions according to **Appendix 7** shall apply.

Moreover, it is proposed to authorize the Board of Directors, or any person nominated by the Board of Directors, to undertake such minor adjustments as may be required for the registration of the issue by the Swedish Companies Registration Office and Euroclear Sweden AB.

The issue price of the convertibles shall correspond to market value according to established principles of valuation. The convertibles have been valued by Grant Thornton.

The convertibles may only be allocated so that the dilution effect assuming full conversion amounts to not more than one (1) per cent of the share capital at the date of the Annual General Meetings resolution, wherein the dilution due to the allocation of convertibles to external members of the Board of Directors according to the proposal by the shareholders shall be included.

Full conversion, will result in the key ratios equity per share and earnings per share for the fiscal year 2015/2016 being affected only insignificantly. These key ratios have therefore been excluded.

The proposal has been drawn up by the management in consultation with external advisers according to guidelines from the Board of Directors and has been discussed at a meeting of the Board of Directors during spring 2016.

The purpose of the deviation of the shareholders' preferential rights is to further strengthen the motivation of the employees regarding the Group's long-term business and financial development and to increase the motivation and the feeling of belonging to the company. The Board of Directors considers it to be advantageous for the company and for the company's shareholders to enable employees to be shareholders in Sectra AB (publ) through this convertible program.

The subscription price for the convertibles is equal to their market value according to an independent valuation. Therefore, no social fees will be payable for the Group as a result of the issue of the convertibles. Other costs for this convertible program as well as for the program for the issue of convertibles to external members of the Board of Directors pursuant to item 18 below, such as fees to external advisers and costs for the administration of the program, are estimated to be approximately SEK 300,000 during the term of the convertibles.

The proposal set forth above implies that the company's employees subscribe for convertibles entitling the holder to acquire shares in the company. Certain allocation of convertibles may be made as part of certain employees' variable salary. According to Chapter 16 of the Act referring to certain private placements etc., a resolution in accordance with the proposal is valid only where supported by shareholders representing at least nine-tenths of both the votes cast and the shares represented at the Annual General Meeting.

Please refer to the company's Annual Report 2015/2016, note 2, for a compilation of the company's incentive programs.

### **Proposal regarding the issue of convertibles to external members of the Board of Directors, (item 18)**

Further, shareholders representing more than 55 per cent of the votes in the Company, propose that the AGM resolves to issue convertibles with a nominal value not exceeding SEK 3,500,000. With disapplication of the shareholders' preferential rights, external members of the Board of Directors in Sectra AB (publ) may subscribe for the convertibles.

The following conditions shall apply to the resolution:

1. Each convertible shall have a nominal value of SEK 1, or multiples thereof.
2. The issue price for the convertibles shall correspond to the convertibles' nominal value.
3. With disapplication of the shareholders' preferential rights, the company's external members of the Board of Directors shall be entitled to subscribe for the convertibles in accordance with **Appendix 8**.
4. Subscription shall be made on a subscription list from November 7 – 11, 2016.
5. Payment for the convertibles shall be made in cash no later than December 1, 2016.
6. The convertibles shall carry an annual interest, which is determined for each period and shall be STIBOR (six months) with addition for 2.25 per cent and shall mature for payment on December 31, 2020.



7. The convertibles entitle the holder to convert to Class B shares. The conversion rate shall correspond to 135 per cent of the volume-weighted average of price paid for the company's shares on Nasdaq Stockholm during the period October 6 - 17, 2016. Holders are entitled to request conversion of their convertibles into shares, during the period December 10 – 16, 2020.
8. Assuming full subscription and full conversion of the convertibles, the share capital may increase by no more than SEK 87,500.
9. No excess subscription shall take place.
10. The new shares shall yield a right to dividend from the first record day for dividend that occurs after the conversion has taken place.

In addition hereto, the terms and conditions according to **Appendix 9** shall apply.

Moreover, it is proposed to authorize the Board of Directors, or any person nominated by the Board of Directors, to undertake such minor adjustments as may be required for the registration of the issue by the Swedish Companies Registration Office and Euroclear Sweden AB.

The issue price of the convertibles shall correspond to market value according to established principles of valuation. The convertibles have been valued by Grant Thornton.

The convertibles may only be allocated so that the dilution effect assuming full conversion amounts to no more than one (1) per cent of the share capital at the date of the Annual General Meetings resolution, wherein the dilution due to the allocation of convertibles to employees according to the proposal by the Board of Directors shall be included.

Full conversion, will result in the keys ratio equity per share and earnings per share for the fiscal year 2015/2016 being only insignificantly affected. These key ratios have therefore been excluded.

The purpose of the deviation of the shareholders' preferential rights is to further strengthen the motivation of the external members of the Board of Directors regarding the Group's long term business development.

The proposal set forth above implies that the company's external Board members subscribe for convertibles entitling the holder to acquire shares in the company. According to Chapter 16 of the Act referring to certain private placements etc., a resolution in accordance with the proposal is valid only where supported by shareholders representing at least nine-tenths of both the votes cast and the shares represented at the Annual General Meeting.

The subscription price for the convertibles is equal to their market value according to an independent valuation. Therefore, no social fees will be payable for the Group as a result of the issue of the convertibles. As described in item 17 above, other costs for the convertible program pursuant to item 17 as well as for this program for the issue of convertibles to external members of the Board of Directors, such as fees to external advisers and costs for the administration of the program, are estimated to be approximately SEK 300,000 during the term of the convertibles.

Please refer to the company's Annual Report 2015/2016, note 2, for a compilation of the company's incentive programs.

**The Board of Directors' explanatory statement in accordance with Chapter 20, Section 8 of the Swedish Companies Act (2005:551)**

The Board of Directors of Sectra AB (publ), reg. no 556064-8304, hereby presents the following statement in accordance with Chapter 20, Section 8 the Swedish Companies Act (2005:551), regarding the proposed resolution to decide on a reduction of the share capital with repayment to the shareholders.

The Board of Directors reasons that the proposed resolution to decide on the reduction of the share capital in accordance with the provisions of Chapter 17, Section 3, para. 2 and 3 of the Swedish Companies Act (2005:551) are the following:

**The objects, scope and risks of business**

The company's objects and scope of business are set out in the articles of association and the annual reports provided. The business operated by the company does not entail risks in excess of those that exist or may be deemed to exist in the industry or those risks which are generally associated with operating a business.

**The financial position of the company and the group**

The financial position of the company and the group as at April 30, 2016 is stated in the most recent annual report. The annual report also states which accounting principles have been applied in the valuation of assets, allocations and liabilities.

The non-restricted equity in the parent company and the Group's retained profits amounted to SEK 172.1 million and SEK 244.9 million respectively at the end of the 2015/2016 financial year.

The proposed resolution to decide on the reduction of the share capital sets out that the Board of Directors proposes that the share capital is reduced by SEK 18,843,052.50 through the redemption of 2,620,692 Series A shares and 35,065,413 Series B shares for repayment to the shareholders. The proposed price to be paid for each redemption share is SEK 4.50, which equals a maximum redemption amount of SEK 169,587,473, which is 38.9 per cent of the company's shareholder equity and 31.1 per cent of the group's shareholder equity at the end of the financial year. The Board of Directors proposes that the company's share capital is restored to its original amount by increasing the company's share capital by SEK 18,843,052.50 through a bonus issue via a transfer from the company's unrestricted equity to the company's share capital. After the bonus issue has been completed the company's restricted equity and share capital will be restored to its original amount.

The annual report sets out, among other things that the company's equity debt ratio as at 30 April 2016 amounted to 49.5 per cent. The proposed reduction of the share capital does not jeopardise the completion of investments which are deemed to be necessary.

The company's and group's financial position does not give rise to any other conclusion than that the company can continue its business and that the company can be expected to fulfil its obligations on both a short and long-term basis.

The Board of Directors is of the opinion that the size of shareholder equity as stated in the most recently delivered annual report is in reasonable proportion to the scope of the company's

business and that the risks connected with the running of the company, after taking into account the proposed resolution on reduction of the share capital.

**The justification of the proposed resolution regarding the reduction of the share capital**

With reference to the above and to what has otherwise come to the knowledge of the Board of Directors, the Board of Directors is of the opinion that after a comprehensive review of the financial position of the company, the reduction of the share capital is justified according to the provisions of Chapter 17, Section 3, para. 2 and 3 of the Swedish Companies Act (2005:551), i.e. with reference to the demands that the objects of the business, its scope and risks place on the size of the company's and group's equity and the company's and the group's consolidating requirements, liquidity and financing needs in general

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Linköping, June 22, 2016

Sectra AB (publ)

The Board of Directors

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Carl-Erik Ridderstråle  
Chairman of the Board

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Torbjörn Kronander  
Member of the Board and CEO  
and President Sectra AB

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Christer Nilsson  
Member of the Board

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Fredrik Häll  
Member of the Board,  
Employee Representative

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Anders Persson  
Member of the Board

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Deborah Capello  
Member of the Board,  
Employee Representative

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Jakob Svärdröm  
Member of the Board

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Erika Söderberg Johnson  
Member of the Board

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Jan-Olof Brüer  
Member of the Board

Auditors statement in accordance with Swedish Companies Act Chapter 20 Section 8, 2nd paragraph (2005:551) regarding if the shareholders meeting should decide in accordance with proposal to reduce the share capital

To the Annual General Meeting of shareholders in Sectra AB (publ), corporate identity number 556064-8304

We have reviewed the board of directors proposal to reduce the share capital dated 2016-06-22.

**The board of directors responsibility for the proposal**

The board of directors is responsible for the preparation of the proposal to reduce the share capital in accordance with the Companies Act and for such internal control as the board of directors determines is necessary for preparing the proposal without material misstatements, whether due to fraud or error.

**Auditor's responsibility**

Our responsibility is to issue a statement about the reduction of the share capital based on our review. We conducted our review in accordance with FAR's recommendation RevR 9 *The auditors other statements pursuant to the Companies Act and other ordinance*. This recommendation requires that we follow ethical guidelines and plan and perform the review in order to obtain reasonable assurance that the proposal from the board of directors is free from material misstatements.

The review involves, performing procedures to obtain evidence about financial and other information in the board of director's proposal. The procedures selected depend on the auditor's judgement, including the assessment of the risks for material misstatements in the proposal, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the board's preparation and fair presentation of the proposal in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the internal control. The review also includes evaluating the appropriateness and the reasonableness of assumptions made by the board of directors. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our statement.

**Statement**

We recommend that the shareholders meeting approve the board of director's proposal to reduce the share capital for repayment to the shareholders.

**Other disclosures**

This statement has as its only purpose to fulfil the requirements in the Swedish Companies Act Chapter 20 Section 8, 2nd paragraph and may not be used for any other purpose.

Linköping, June 22, 2016  
Grant Thornton Sweden AB

Peter Bodin  
Authorised Public Accountant

This is a translation of the original document in Swedish. In the event of any difference between this translation and the original Swedish version, the latter shall take precedence.

**The Board of Directors' statement in accordance with Chapter 20, Section 13 of the Swedish Companies Act (2005:551)**

The Board of Directors of Sectra AB (publ), reg. no 556064-8304, hereby makes the following statement regarding the proposal on reduction of the share capital, in accordance with Chapter 20, Section 13 paragraph 4 of the Swedish Companies Act (2005:551).

The proposed resolution to decide on the reduction of the share capital sets out that the Board of Directors proposes that the share capital is reduced by SEK 18,843,052.50 through the redemption of 2,620,692 Series A shares and 35,065,413 Series B shares, for repayment to the shareholders. The proposed repayment amounts to SEK 4.50 per share, representing a total amount of SEK 169,587,473, representing 38.9 per cent of the company's equity and 31.1 per cent of consolidated shareholders' equity at the end of the financial year 2015/2016. Distributable funds in the company at the end of the financial year 2015/2016 were SEK 172,062,316. The annual report shows that the equity debt ratio of the group was 49.5 per cent as at April 30, 2016.

The Board of Directors' proposal entails a reduction of Sectra's share capital by SEK 18,843,052.50 from SEK 37,686,105 to SEK 18,843,052.50. In order to achieve a timely and efficient redemption procedure, without having to obtain permission from the Swedish Companies Registration Office or a court of law, the Board of Directors proposes to restore the company's share capital to its original amount by increasing the company's share capital by SEK 18,843,052.50 through a bonus issue via a transfer from the company's unrestricted equity to the company's share capital. No new shares will be issued in connection with the bonus issue.

Overall, the Board of Directors' proposal as described above means that distributable equity in Sectra, amounting to SEK 172,062,316 at the end of the financial year 2015/2016, decreases by SEK 169,587,473 to SEK 2,474,843. Upon completion of the bonus issue, the company's share capital will be restored to its original amount.

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Linköping, June 22, 2016

Sectra AB (publ)

The Board of Directors

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Carl-Erik Ridderstråle  
Chairman of the Board

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Torbjörn Kronander  
Member of the Board and CEO  
and President Sectra AB

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Christer Nilsson  
Member of the Board

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Fredrik Häll  
Member of the Board,  
Employee Representative

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Anders Persson  
Member of the Board

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Deborah Capello  
Member of the Board,  
Employee Representative

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Jakob Svärdström  
Member of the Board

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Erika Söderberg Johnson  
Member of the Board

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Jan-Olof Brüer  
Member of the Board

# Auditor's statement in accordance with Swedish Companies Act, Chapter 20, Section 14 (2005:551), regarding the board of directors report of redemption terms

To the Annual General Meeting of shareholders in Sectra AB (publ), corporate identity number 556064-8304

We have reviewed the board of directors report including information of redemption terms dated 2016-06-22.

## **The board of directors responsibility for the report**

The board of directors is responsible for the preparation of the report of redemption terms in accordance with the Companies Act and for such internal control as the board of directors determines is necessary for preparing the report without material misstatements, whether due to fraud or error.

## **Auditor's responsibility**

Our responsibility is to issue a statement about the redemption terms based on our review. We conducted our review in accordance with FAR's recommendation RevR 9 *The auditors other statements pursuant to the Companies Act and other ordinance*. This recommendation requires that we follow ethical guidelines and plan and perform the review in order to obtain reasonable assurance that the report from the board of directors is free from material misstatements.

The review involves, performing procedures to obtain evidence about financial and other information in the board of director's report. The procedures selected depend on the auditor's judgement, including the assessment of the risks for material misstatements in the report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the board's preparation and fair presentation of the report in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the internal control. The review also includes evaluating the appropriateness and the reasonableness of assumptions made by the board of directors. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our statement.

## **Statement**

In our opinion

- the report by the board of directors regarding the assets parted from the company is true and fair, and
- the measures taken, meaning that neither the company's restricted shareholders' equity nor the share capital is reduced, are appropriate and the assessments made of the effects of these measures are accurate.

## **Other disclosures**

This statement has the only purpose to fulfil the requirements in the Companies Act Chapter 20 Section 14 and may not be used for any other purpose.

Linköping, June 22 2016  
Grant Thornton Sweden AB

Peter Bodin  
Authorised Public Accountant

This is a translation of the original document in Swedish. In the event of any difference between this translation and the original Swedish version, the latter shall take precedence.



## **The Board of Directors' statement in accordance with Chapter 19, Section 22 of the Swedish Companies Act (2005:551)**

The Board of Directors hereby presents the following statement in accordance with Chapter 18, Section 4 and Chapter 19, Section 22 of the Swedish Companies Act (2005:551).

The Board of Directors' reasons for the proposed authorization to repurchase and transfer the Company's own shares being in accordance with the provisions of Chapter 17, Section 3, paragraphs 2 and 3 of the Companies Act are as follows:

### **The Company's objects, scope, and risks**

The Company's objects and scope of business are set out in the Articles of Association and the annual reports provided. The business conducted by the Company does not entail any risks in excess of those that exist or may be deemed to exist in the industry or those risks which are generally associated with operating a business.

### **The financial position of the Company and the Group**

The financial position of the Company and the Group as at April 30, 2016 is stated in the latest annual report. The annual report also states which accounting principles are applied in the valuation of assets, allocations and liabilities.

The non-restricted equity in the parent company and the Group's retained profits amounted to SEK 172.1 million and SEK 244.9 million respectively at the end of the 2015/2016 financial year.

The annual report states that the debt/equity ratio is 49.5 per cent. Authorization to purchase and transfer the Company's own shares does not endanger the completion of any necessary investments.

The company's financial position does not give rise to any other conclusion than that the Company can continue its business and that the Company can be expected to fulfil its obligations on both a short and long-term basis.

In the opinion of the Board of Directors, the amount of shareholders' equity as reported in the latest annual report is in reasonable proportion to the scope of the company's operations and the risks associated with conducting operations in consideration of the authorization to repurchase the company's own shares now proposed.

### **Justification for repurchase**

With reference to the above and to what has otherwise come to the knowledge of the Board of Directors, the Board of Directors is of the opinion that after a comprehensive review of the financial position of the Company and of the Group it follows that the proposed authorization to repurchase and transfer the Company's own shares is justified according to the provisions of Chapter 17, Section 3, paragraph 2 and 3 of the Swedish Companies Act, i.e. with reference to the requirements that the objects of the business, its scope and risks place on the size of the Company's and Group's equity and the Company's and the Group's consolidating requirements, liquidity and financing needs in general.

Linköping, June 22, 2016

Sectra AB (publ)

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Carl-Erik Ridderstråle  
Chairman of the Board

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Torbjörn Kronander  
Member of the Board and CEO  
and President Sectra AB

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Christer Nilsson  
Member of the Board

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Fredrik Häll  
Member of the Board,  
Employee Representative

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Anders Persson  
Member of the Board

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Deborah Capello  
Member of the Board,  
Employee Representative

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Jakob Svärdström  
Member of the Board

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Erika Söderberg Johnson  
Member of the Board  
The Board of Directors

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Jan-Olof Brüer  
Member of the Board

## **Employees' right to subscribe and allotment guidelines for the Board of Directors**

The convertibles shall, with disapplication of the shareholders' preferential rights, be subscribed for by all individuals who as of October 31, 2016 are employed until further notice in the Sectra Group. At allotment the Board of Directors shall observe the following.

Each employee shall be allotted convertibles at a nominal value amounting to a total of no more than 1,000 times the conversion rate, as calculated according to section 7 in the Board of Directors' proposal. In addition, the Board of Directors may resolve to allot to employees (i) who makes extraordinarily strong contributions to the group's development, (ii) who holds management positions, (iii) with special competence or (iv) who are otherwise of special importance for the development of the Sectra Group (key personnel), convertibles to an amount of no more than 25,000 times the calculated conversion rate. The Board of Directors may thereto allot to each key employee additional convertibles at an aggregate nominal amount amounting to a maximum of 20,000 times the quoted conversion rate as a part of their variable salary.

If the new issue is not subscribed in full, each employee, but firstly the key personnel, shall be allotted additional convertibles at a nominal value of a total of no more than 15,000 times the calculated conversion rate.

## Terms and Conditions for Sectra AB's Convertibles 2016/2019 of SEK 35,000,000

### § 1 Definitions

In the terms and conditions the following definitions shall have the meaning presented below.

"ABL"	the Swedish Companies Act (2005:551);
"reconciliation account"	Securities account at Euroclear where each convertible holder's possession of convertibles or possession of shares acquired by convertibles are registered.
"share"	share of class B in the Company;
"banking day"	a day which is not a Sunday, or other public holiday or, with respect to the payment of promissory notes, is not equated with a public holiday in Sweden;
"the Bank"	a bank or a securities institute, which the Company from time to time shall contract with to perform the undertakings of the Bank under these terms and conditions;
"the Company"	Sectra AB (publ), Registration No. 556064-8304;
"Euroclear"	Euroclear Sweden AB (the Swedish Central Securities Depository and Clearing Organisation);
"conversion"	the exchange of a convertible for new shares in the Company;
"conversion price"	the price at which conversion may occur;
"convertible "	such convertible with conversion rights as referred to in Chapter 15 of the Swedish Companies Act (2005:551);
"Holder"	a holder of a convertible; and
"STIBOR"	the daily interest rate quoted at 11 a.m. two banking days before the applicable interest period for loans in SEK for a 6 months period at Reuters web-page "SIOR" (or via a similar system or web-page which replaces such system or web-page) or, if such quotation is not available, the interest rate at which Swedish banks offer to lend for a period of 12 months at the interbank market an amount equivalent to the total of the convertible debt.

## **§ 2 Loan amount, maturity and interest rate**

The loan amount shall not exceed SEK thirty-five million (35,000,000). The loan matures on December 31, 2019, except to the extent of prior conversions. The loan carries interest from December 1, 2016 and is payable each year on November 30, commencing on November 30, 2017, as well as on the maturity date of the loan.

Each interest payment comprises interest for a period of 12 months calculated on the basis of the actual number of days ("Act")/360 (Act/360) with the exception for the last interest payment which only comprises the period from the last maturity date up to and including the maturity date of the loan. As stated in Section 7 below, upon conversion the right to receive interest will fall off as from the previous interest maturity date.

The interest rate is settled for each interest period and shall amount to STIBOR plus 2.25%.

The Company hereby assumes the loan note and undertakes to make payments in accordance with the conditions stated herein.

## **§ 3 Account operator, registration, etc.**

The loan shall be registered by Euroclear on Securities Accounts in accordance with Chapter 4 of the Swedish Financial Instruments (Accounts) Act (SFS 1998:1479). No certificates will be issued.

Each convertible shall have a nominal value of SEK one (1) or multiples thereof.

The convertibles will be registered on behalf of each holder in the reconciliation account in the Company's securities account.

## **§ 4 Subordination**

In the event the Company is placed in liquidation or insolvent liquidation, the convertibles shall entitle the holders thereof to payment from the Company's assets after the Company's non-prioritised creditors and shall be ranked *pari passu* with other subordinated obligations, which are not expressly subordinated to this loan.

The Company undertakes, for such time as any creditors hold convertibles pursuant to these terms and conditions, not to assume subordinated obligations which, in the event of the Company's liquidation or insolvent liquidation, shall entitle such creditors to payment from the Company's assets prior to payment pursuant this subordinated loan.

## **§ 5 Payment of interest and repayment of principal amount**

The interest and principal amount will be paid by Euroclear to parties who, on the fifth banking day prior to the respective due date for payment or on the banking day more close to the due date for payment that may generally be applied on the Swedish securities market (the record date for payment) is registered in an account in the Company's Euroclear register as the holder or as otherwise entitled to receive interest and payment of the principal amount.

If the holder, or a person who is registered in an account in the Company's Euroclear register as otherwise entitled to receive interest and payment of the principal amount, has via an account-operating institute registered that the interest and payment of the principal amount

should be deposited in a specified bank account, such deposit will be made by Euroclear on the due date for payment. In the absence of such agreement, Euroclear will transmit the interest payment and payment of the principal amount on that date to the address of the appropriate party as recorded at Euroclear on the record date for payment. If the due date for payment is a day that is not a banking day, the payment will not be deposited or transmitted until the immediately following banking day.

If Euroclear, due to delay on the part of the Company or to other hindrance, is unable to make the interest or principal amount payment when due, the payment will be made by Euroclear as soon as such hindrance has been removed to the party who, on the record date for payment, was registered as the holder or listed as entitled to receive interest and payment of the principal amount.

Interest is payable only up to and including each respective due date for payment even if such day shall fall on a day that is not a banking day and even if the payment is delayed by such hindrances as are described in the conditions regarding limitation in responsibility of the bank and Euroclear below. In the event that the Company shall fail to make funds available to Euroclear in time for payment of the principal amount or interest due on the relevant due date for payment, whether or not there are hindrances in the liability of the bank or Euroclear as stated below, interest shall be payable on the past due date for payment, up to and including the banking day upon which, no later than 10:00 a.m., funds have been made available to Euroclear.

## **§ 6 Conversion**

Holders shall have the right, during the period December 9 – 13, 2019, to request conversion of their convertibles into shares. The conversion price shall correspond to 127.5 percent of the volume-weighted average of price paid for the company's shares on Nasdaq Stockholm during the period October 6 - 17, 2016. Request for conversion shall be made to the company on a registration form specified by the company or to the one that the company provides on an established registration form.

One new share will be received for each full amount equivalent to the conversion price of the total principal value of this convertible, registered in the applicable account for convertibles, which one and the same holder wishes to convert at the same time. If this amount is not evenly divisible by the conversion price, the surplus amount shall be paid in cash at the date of the final maturity of the loan. The conversion price may be adjusted in the circumstances described below.

Conversion is effected by the new shares being registered in the Company's share register as interim. Any surplus cash amount as specified above shall be paid at the date of the final maturity of the loan. After the registration has been made with the Swedish Companies Registration Office, the registration in the reconciliation account will become final.

## **§ 7 Interest and dividends in connection with conversion**

At conversion right to accrued interest ceases with respect to the period from the interest-payment date immediately prior to conversion.

Shares issued upon conversion carry rights to dividends commencing on the record date for dividends which falls immediately after the day on which conversion is effected.

**§ 8 Adjustment of conversion price, etc.**

The following shall apply with respect to the rights of holders in the situations described below.

Subsection A. If the Company effects a bonus issue of shares, at a conversion requested on such date that the thereby received share does not carry right to a bonus share, an adjusted conversion price shall be applicable in accordance with the following.

$$A = \frac{B * C}{D}$$

- A = adjusted conversion price
- B = preceding conversion price
- C = number of shares prior to the bonus issue
- D = number of shares following the bonus issue

The Company has the right to wait with conversion until after the record date for the issue if it facilitates accomplishment of the issue.

Subsection B. If the Company effects a consolidation or a split of its shares, subsection A above shall apply. The date on which the consolidation or split is carried out shall in such case be considered to be on an equal footing with the record date of the bonus issue.

Subsection C. If the Company issues new shares – with preferential rights to its shareholders to subscribe for new shares for cash – an adjusted conversion price shall apply in accordance with the following if conversion is requested on such a date that rights to participate in the new issue do not accrue,

$$A = \frac{B * C}{D}$$

- A = adjusted conversion price
- B = preceding conversion price
- C = the average share price
- D = the average share price increased by the theoretical value of the subscription right

The average price of the share is the average of the mean of the highest and lowest prices paid each trading day in transactions as recorded on Nasdaq Stockholm during the subscription period. In the absence of a quotation of paid price, the last bid price quoted shall

be used in the calculation. If neither a paid price nor a bid price is quoted on a given day, that day shall be excluded from calculation of the average share price.

The theoretical value of subscription rights is calculated in accordance with the following formula:

$$A = \frac{B * (C - D)}{E}$$

- A = the theoretical value of the subscription right
- B = maximum number of shares that can be issued according to the resolution approving the new issue
- C = average price of the share
- D = the price at which the shares are being issued
- E = number of shares outstanding prior to the resolution whereby new shares are issued

If the subscription right has a negative value, the theoretical value of the subscription rights shall be fixed at zero.

The Company has the right to wait with conversion until after the record date if it facilitates accomplishment of the issue.

The Company likewise has the right to give all holders the same preferential rights that according to the resolution belong to the shareholders. Notwithstanding that conversion has not been carried out holders shall be considered owners of the number of shares that the holder would have received if conversion had been carried out to the conversion price at the date of the resolution to issue new shares. The fact that the holder would have been able to receive a cash sum in accordance with above, shall not result in any right now in question. Adjustment of the conversion price shall not take place if the Company should decide to give the holders preferential right in accordance with these conditions.

Subsection D. If the Company effects an issue as referred to in Chapter 15 of the Swedish Companies Act – with preferential rights for the shareholders to subscribe for convertibles in return for cash payment - an adjusted conversion price shall apply in accordance with the following if conversion is requested on such date that right to participate in the new issue does not accrue,

$$A = \frac{B * C}{D}$$

- A = adjusted conversion price
- B = preceding conversion price
- C = average share price



D = average share price increased by the value of subscription rights

The average share price is calculated as stated in subsection C. above.

The value of the subscription right shall be considered to correspond to the average of the mean of the highest and the lowest prices paid for such rights each trading day in transactions as recorded on Nasdaq Stockholm during the subscription period. In the absence of a quotation of a paid price, the last bid price quoted shall be included in the calculation. If neither a paid price nor a bid price is quoted on a given day, that day shall be excluded from calculation of the value of subscription rights.

The Company has the right to wait with carrying out conversion until after the record date for the issue if it facilitates accomplishment of the issue.

The Company likewise has the right to give all holders the same preferential rights that accrue to the shareholders according to the resolution. In this case every holder shall, notwithstanding conversion has not been carried out, be considered owner of the number of shares the holder would have received if conversion had been carried out at the existing conversion price at the time of the resolution to issue convertibles. The circumstance that the holder also could have been able to receive a cash sum in accordance with the above mentioned shall not result in any right now at hand. No adjustment of the conversion price shall take place if the Company should resolve to give the holders preferential rights in accordance with those conditions.

Subsection E. Should the Company, in cases other than those set forth in subsections A. through D. above, make an offer to its shareholders to acquire on a preferential basis securities or rights of any type from the Company in accordance with the principles stated in Chapter 13, § 1 of the Swedish Companies Act or decide to distribute, in accordance with the above mentioned principles, such securities or rights to shareholders without consideration, an adjusted conversion price according to below shall be applied in connection with conversions requested at any time such that the received share does not carry rights to participate in the offer or distribution.

$$A = \frac{B * C}{D}$$

A = adjusted conversion price

B = preceding conversion price

C = average share price

D = average share price increased by the value of rights to participate in the offer or distribution

The average share price is calculated during the specified subscription period in the offer as stated in subsection C. above.

In the event that shareholders receive purchase rights and trading of such rights has occurred, the value of the right to participate in the offer shall be considered to correspond to the average of the mean of the highest and lowest prices paid for such rights each trading day in transactions as recorded on Nasdaq Stockholm during the subscription period. In the absence of a quotation of a paid price, the last price quoted shall be included in the transaction. If neither a paid price nor a bid price is quoted on a given day, that day shall be excluded from the calculation of value of the purchase rights.

In the event that shareholders have not received purchase rights or if such trading in purchase rights as referred to in the preceding paragraph has not occurred, the adjustment of the conversion price shall be calculated by applying as far as possible the principles set forth in subsection E. herein. The following shall thereby apply.

If a listing occurs of the securities or rights offered to the shareholders, the value of the right to participate in the offer shall be considered to correspond to the average of the prices paid for such securities or rights on each trading day during 25 days from and including the first day for listing calculated as the mean of the highest and lowest paid prices recorded for transactions in these securities or rights on Nasdaq Stockholm, less any consideration that is paid for these in conjunction with the offer. In the absence of a quotation of price, the last bid price quoted shall be used in the calculation. If neither a paid price nor a bid price is quoted on a given day, that day shall be excluded from calculation of the average price. When a recalculation of the conversion price is made according to this paragraph, the above mentioned 25 trading days shall be considered to correspond to the application period in the offer according to the above.

Should listing not occur, the value of the right to participate in the offer shall be determined as far as possible on the change in the market price of the Company's shares that can be considered to have arisen as a consequence of the offer.

The Company has the right to wait with conversion until after the record date for the offer if it facilitates accomplishment of the offer.

The Company likewise has the right to give all holders the same preferential rights, as according to the resolution is granted to the shareholders. In this case every holder, notwithstanding that a conversion has not been carried out, shall be considered owner of the number of shares the holder would have had received if the conversion had been carried out at the existing conversion price at the time of the resolution of the offer. The fact that the holder also could have been able to receive a cash sum according to the above shall not result in any right now at hand. If the Company should resolve to give the holders preferential rights in accordance with those conditions, no adjustment of the conversion price shall be made.

Subsection F. If a cash dividend to shareholders is decided, an adjusted conversion price shall be applied for conversions requested at such time that the shares received in such event do not carry rights to receipt of such dividend. The adjustment shall be based on the amount paid to the shareholders (as dividend and/or as reduction of the share capital with repayment to the shareholders), i.e. on the total dividend and/or repayment. The adjustment shall be made according to the following.

$$A = \frac{B * C}{D}$$

- A = adjusted conversion price
- B = preceding conversion price
- C = average share price
- D = average share price increased by the dividend and/or repayment paid per share

The average price of the share is calculated over a period of 25 trading days starting from and including the day the share is listed without right to dividend and corresponds to the average of the mean of the highest and lowest prices paid each trading day during this period in accordance with the official price list of Nasdaq Stockholm. In the absence of a quotation of a paid price, the last bid price quoted shall be used in the calculation. If neither a paid price nor a bid price is quoted on a given day, that day shall be excluded from the calculation.

The Company has the right to wait with conversion until after the record date for the dividends if it facilitates accomplishment of the dividend.

Subsection G. Should the Company's share capital be reduced through a repayment to its shareholders, an adjusted conversion price shall be applied for conversions requested at such time that the shares received in such event do not carry rights to receipt of such repayment. The conversion shall be based on the amount with is repaid to the shareholders (as dividend and/or as reduction of the share capital with repayment to the shareholders), i.e. on the aggregate dividend and/or repayment. The adjustment shall be made according to the following.

$$A = \frac{B * C}{D}$$

- A = adjusted conversion price
- B = preceding conversion price
- C = average share price
- D = average share price increased by the dividend and/or the amount being repaid per share

The average share price is calculated under a period of 25 trading days from and including the day the share is listed without right to repayment and corresponds to the average of the mean of the highest and lowest prices paid each trading day during this period in accordance with the official price list of Nasdaq Stockholm. In the absence of a quotation of a paid price, the last bid price quoted shall be used in the calculation. If neither a paid price nor a bid price is quoted on a given day, that day shall be excluded from the calculation.

The Company has the right to wait with conversion until after the resolution of repayment of share capital to shareholders has been registered at the Companies Registration Office, if it facilitates the accomplishment of the resolution of repayment of share capital.

Subsection H. Should the Company take action in accordance with the above and should the application of the conversion formula established for such action with reference to technical design of such action or for any other reason, not be possible, or it would result in the holders receiving, in relation to the shareholders, economic compensation that is not reasonable, the Board of Directors of the Company has the right to make adjustment of the conversion price as the Board of Directors determines appropriate to ensure that the adjustment of the conversion price leads to a reasonable result.

Subsection I. In adjusting the conversion price as described above, the price shall be rounded to units of SEK 0.10, with SEK 0.5 rounded upwards.

Subsection J. If it is decided that the Company is to enter into liquidation pursuant to Chapter 25 of the Swedish Companies Act, conversion may not be requested thereafter, regardless of the grounds for liquidation; the right to request conversion ceases simultaneously with the decision to liquidate, notwithstanding the fact that the decision may not have come into legal force. However, the holder has the right, in such cases, to demand immediate payment of the principal amount of the convertible plus accrued interest to the date of payment. If the decision to liquidate is made at a General Meeting of Shareholders, this right becomes effective on the day following the Meeting or otherwise on the day following the date on which the court order or liquidation has come into legal force. Within a week thereafter, the Company, as provided below, shall notify the holders in writing, advising them of their right to immediate payment.

Not later than two months before the General Meeting of the Shareholders determines whether the Company should enter into voluntary liquidation, as provided in Chapter 25 of the Swedish Companies Act, the holders shall be informed, as provided below, of the planned liquidation. The notice shall include a reminder that conversion may not be requested after the Meeting has voted to liquidate.

If the Company gives notice of a planned liquidation as stated above, holders are – notwithstanding the provisions above regarding the earliest time for requesting conversion – entitled to request conversion from the date when the notice was issued, provided that conversion can be effected not later than the tenth calendar day prior to the General Meeting of Shareholders at which the issue of the Company's liquidation is to be considered.

Subsection K. If the General Meeting of Shareholders shall approve a merger agreement, in accordance with Chapter 23, § 15, of the Swedish Companies Act whereby the Company would be absorbed by another Company, conversion may not thereafter be requested.

However, the holder has the right during a period of two months from the date of such approval to demand immediate payment of the principal amount of the convertible, plus interest.

The Company shall notify holders, advising them of this right, not later than one week following the beginning of such period. Nothing contained herein shall impair rights that may legally accrue to the holders in their capacity as holders in conjunction with a merger.

Not later than two months prior to the time the Company takes a final decision on the matter of a merger as described above, the holders shall be informed by notice of such merger plans. The notice shall present a report on the principal terms of the planned merger agreement and shall remind the holders that conversion may not be requested once the merger has been fully approved in accordance with that stated in the first paragraph above.

Should the Company give notice of the planned merger as stated above, the holders shall, notwithstanding the provisions regarding the earliest time for requesting conversion, have the right to request conversion from the date when the notice of the merger plans was issued, provided that conversion can be effected not later than the tenth calendar day prior to the General Meeting of Shareholders at which the merger agreement, whereby the Company shall become part of another company, is to be approved.

Subsection L. Should the Board of Directors, in accordance with Chapter 23, § 28 of the Swedish Companies Act, conclude a merger agreement whereby the Company shall be absorbed by the parent company, or the Company's shares become subject to compulsory acquisition pursuant to Chapter 22, § 1 of the same act, the following shall apply.

If a Swedish limited liability stock company owns all shares outstanding in the Company, and the Board of Directors announces its intention of concluding a merger agreement in accordance with the stipulations in the Act cited in the preceding paragraph, the Company shall in the event that the final day for conversion pursuant to the above occurs after such announcement, determine a new closing day, i.e. a new final day for requests for conversion. The closing date shall fall within 60 days from the date of the announcement.

If anyone owns, solely or together with or through subsidiaries, more than ninety (90) per cent of all the shares in the Company (excluding shares in the Company owned by the Company itself) and such majority owner announces its intention to require such compulsory acquisition, the provisions set forth in the preceding paragraph regarding the closing date shall be applied correspondingly.

However, holders have the right during a period of 60 days from the date of such announcement stated above in this subsection to demand immediate payment of the nominal amount of the convertibles, plus interest accrued to and including the date of payment.

If public notice has been given in accordance with what has been stated above in this Subsection, notwithstanding the provisions of § 6 above with respect to the earliest date to request conversion, the holders shall have the right to request conversion up to and including the closing date. At least four weeks prior to the closing date, the Company shall, by giving notice in accordance with below, notify holders of such right and that conversion may not be requested after the closing date. In addition, the holders shall be notified of their right to request immediate payment in accordance with that stated in the preceding paragraph.

Subsection M. Notwithstanding the provisions above to the effect that conversion may not be requested after a decision is made to liquidate, approval is given for a merger agreement of the expiration of a new closing date upon merger, rights to request conversion shall be reinstated in cases when the liquidation is revoked or the agreement to merge is not implemented.

Subsection N. In the event the Company goes into bankruptcy, conversion may not be requested from that point onwards. If, however, the bankruptcy decision is revoked by a higher court of law, conversion may again be requested.

Subsection O. If the General Meeting would approve a demerger agreement pursuant to Chapter 24 § 17 of the Swedish Companies Act, whereby the Company shall demerge a part of the Company's assets and liabilities acquired by one or several other limited liability companies for a consideration for the shareholders of the Company, a recalculated conversion is applied in accordance with the principles for extraordinary dividend in section G above. The recalculation shall be based on the part of the company's assets or liabilities which will be acquired by the transferor company.

If all the Company's assets and liabilities are acquired by one or several other limited liability companies for a consideration for the shareholders of the Company, the liquidation rules in section M above shall be applicable, meaning *inter alia* that the right to demand subscription expires at the same time as the registration pursuant to Chapter 24 § 27 of the Swedish Companies Act. The holder is therefore to be notified at the latest four weeks before the demerger plan is submitted to the General Meeting.

### **§ 9 Special undertaking by the Company**

The Company agrees not to undertake any measure that would result in an adjustment of the conversion price to an amount less than the quota of each share in the Company.

### **§ 10 Statute of limitations**

All rights to payment of principal shall cease ten years after the maturity date of the convertibles. The right to receive interest payments shall cease three years after the respective interest payment due date. Funds allocated for payments for which rights cease to exist accrue to the Company.

### **§ 11 Notification**

Notices concerning this loan shall be given to a holder, whose address is known to the Company.

### **§ 12 Confidentiality**

Unless so authorized, the Company, the Bank or Euroclear may not provide information on holders to third parties. The Company has the right to obtain information on holders from the debt register kept by Euroclear.

### **§ 13 Limitation of liability**

With respect to the actions incumbent on Euroclear, the Bank or the Company - Euroclear, the Bank or the Company shall not be deemed liable for loss due to Swedish or foreign legal

decrees, Swedish or foreign action by public authorities, acts of war, strikes, blockades, boycotts, lockouts or other similar causes. The reservations with respect to strikes, blockades, boycotts and lockouts apply even if Euroclear, the Bank or the Company itself undertakes, or is the object of, such actions. Neither Euroclear, the Bank nor the Company shall be obligated to provide compensation for loss arising in other situations if Euroclear, the Bank or the Company respectively has exercised normal prudence and are not in any case liable for indirect damages.

If a payment or any other action is stopped by circumstances such as those described in the first paragraph, such action may be deferred until the hindrance has ceased to exist. In the event of deferred payment, the Company shall pay interest at the interest rate applicable on the due date.

**§ 14 Governing law, etc.**

These terms and conditions and any legal matters relating to the convertibles shall be governed by Swedish law. Any legal proceedings relating to the convertibles shall be instituted in the District Court of Linköping (Sw: *Linköpings tingsrätt*).

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**Board members with the right to subscribe and guidelines for allotment for the Board of Directors**

The convertible shall, with disapplication of the shareholders' preferential rights, be subscribed for by members of the Board of Directors in Sectra AB (publ) who are not at the same time employed within the Sectra Group. At allotment each member of the Board shall be allotted convertibles at a nominal value in total of no more than 25,000 times the conversion rate, which shall be calculated according to item 7 in the proposal from the shareholders. If the new issue is not subscribed in full, each Board member shall be allotted additional convertibles at a nominal value of a total of no more than 15,000 times the calculated conversion rate.



## Terms and Conditions for Sectra AB's Convertibles 2016/2020 of SEK 3,500,000

### § 1 Definitions

In the terms and conditions the following definitions shall have the meaning presented below.

"ABL"	the Swedish Companies Act (2005:551);
"reconciliation account"	Securities account at Euroclear where each convertible holder's possession of convertibles or possession of shares acquired by convertibles are registered.
"share"	share of class B in the Company;
"banking day"	a day which is not a Sunday, or other public holiday or, with respect to the payment of promissory notes, is not equated with a public holiday in Sweden;
"the Bank"	a bank or a securities institute, which the Company from time to time shall contract with to perform the undertakings of the Bank under these terms and conditions;
"the Company"	Sectra AB (publ), Registration No. 556064-8304;
"Euroclear "	Euroclear Sweden AB (the Swedish Central Securities Depository and Clearing Organisation);
"conversion"	the exchange of a convertible for new shares in the Company;
"conversion price"	the price at which conversion may occur;
"convertible "	such convertible with conversion rights as referred to in Chapter 15 of the Swedish Companies Act (2005:551);
"Holder"	a holder of a convertible; and
"STIBOR"	the daily interest rate quoted at 11 a.m. two banking days before the applicable interest period for loans in SEK for a 6 months period at Reuters web-page "SIOR" (or via a similar system or web-page which replaces such system or web-page) or, if such quotation is not available, the interest rate at which Swedish banks offer to lend for a period of 12 months at the interbank market an amount equivalent to the total of the convertible debt.

## **§ 2 Loan amount, maturity and interest rate**

The loan amount shall not exceed SEK three million, five hundred thousand (3,500,000). The loan matures on December 31, 2020, except to the extent of prior conversions. The loan carries an interest from December 1, 2016 and is payable each year on November 30, commencing on November 30, 2017, as well as on the maturity date of the loan.

Each interest payment comprises interest for a period of 12 months calculated on the basis of the actual number of days ("Act")/360 (Act/360) with the exception for the last interest payment which only comprises the period from the last maturity date up to and including the maturity date of the loan. As stated in Section 7 below, upon conversion the right to receive interest will fall off as from the previous interest maturity date.

The interest rate is settled for each interest period and shall amount to STIBOR plus 2.25%.

The Company hereby assumes the loan note and undertakes to make payments in accordance with the conditions stated herein.

## **§ 3 Account operator, registration, etc.**

The loan shall be registered by Euroclear on Securities Accounts in accordance with Chapter 4 of the Swedish Financial Instruments (Accounts) Act (SFS 1998:1479). No certificates will be issued.

Each convertible shall have a nominal value of SEK one (1) or multiples thereof.

The convertibles will be registered on behalf of each holder in the reconciliation account in the Company's securities account.

## **§ 4 Subordination**

In the event the Company is placed in liquidation or insolvent liquidation, the convertibles shall entitle the holders thereof to payment from the Company's assets after the Company's non-prioritised creditors and shall be ranked *pari passu* with other subordinated obligations, which are not expressly subordinated to this loan.

The Company undertakes, for such time as any creditors hold convertibles pursuant to these terms and conditions, not to assume subordinated obligations which, in the event of the Company's liquidation or insolvent liquidation, shall entitle such creditors to payment from the Company's assets prior to payment pursuant this subordinated loan.

## **§ 5 Payment of interest and repayment of principal amount**

The interest and principal amount will be paid by Euroclear to parties who, on the fifth banking day prior to the respective due date for payment or on the banking day more close to the due date for payment that may generally be applied on the Swedish securities market (the record date for payment) is registered in an account in the Company's Euroclear register as the holder or as otherwise entitled to receive interest and payment of the principal amount.

If the holder, or a person who is registered in an account in the Company's Euroclear register as otherwise entitled to receive interest and payment of the principal amount, has via an account-operating institute registered that the interest and payment of the principal amount

should be deposited in a specified bank account, such deposit will be made by Euroclear on the due date for payment. In the absence of such agreement, Euroclear will transmit the interest payment and payment of the principal amount on that date to the address of the appropriate party as recorded at Euroclear on the record date for payment. If the due date for payment is a day that is not a banking day, the payment will not be deposited or transmitted until the immediately following banking day.

If Euroclear, due to delay on the part of the Company or to other hindrance, is unable to make the interest or principal amount payment when due, the payment will be made by Euroclear as soon as such hindrance has been removed to the party who, on the record date for payment, was registered as the holder or listed as entitled to receive interest and payment of the principal amount.

Interest is payable only up to and including each respective due date for payment even if such day shall fall on a day that is not a banking day and even if the payment is delayed by such hindrances as are described in the conditions regarding limitation in responsibility of the bank and Euroclear below. In the event that the Company shall fail to make funds available to Euroclear in time for payment of the principal amount or interest due on the relevant due date for payment, whether or not there are hindrances in the liability of the bank or Euroclear as stated below, interest shall be payable on the past due date for payment, up to and including the banking day upon which, no later than 10:00 a.m., funds have been made available to Euroclear.

## **§ 6 Conversion**

Holders shall have the right, during the period December 10 – 16, 2020, to request conversion of their convertibles into shares. The conversion price shall correspond to 135 percent of the volume-weighted average of price paid for the company's shares on Nasdaq Stockholm during the period October 6 - 17, 2016. Request for conversion shall be made to the company on a registration form specified by the company or to the one that the company provides on an established registration form.

One new share will be received for each full amount equivalent to the conversion price of the total principal value of this convertible, registered in the applicable account for convertibles, which one and the same holder wishes to convert at the same time. If this amount is not evenly divisible by the conversion price, the surplus amount shall be paid in cash at the date of the final maturity of the loan. The conversion price may be adjusted in the circumstances described below.

Conversion is effected by the new shares being registered in the Company's share register as interim. Any surplus cash amount as specified above shall at the date of the final maturity of the loan be paid. After the registration has been made with the Swedish Companies Registration Office, the registration in the reconciliation account will become final.

## **§ 7 Interest and dividends in connection with conversion**

At conversion right to accrued interest ceases with respect to the period from the interest-payment date immediately prior to conversion.

Shares issued upon conversion carry rights to dividends commencing on the record date for dividends which falls immediately after the day on which conversion is effected.

**§ 8 Adjustment of conversion price, etc.**

The following shall apply with respect to the rights of holders in the situations described below.

Subsection A. If the Company effects a bonus issue of shares, at a conversion requested on such date that the thereby received share does not carry right to a bonus share, an adjusted conversion price shall be applicable in accordance with the following.

$$A = \frac{B * C}{D}$$

- A = adjusted conversion price
- B = preceding conversion price
- C = number of shares prior to the bonus issue
- D = number of shares following the bonus issue

The Company has the right to wait with conversion until after the record date for the issue if it facilitates accomplishment of the issue.

Subsection B. If the Company effects a consolidation or a split of its shares, subsection A above shall apply. The date on which the consolidation or split is carried out with Euroclear shall in such case be considered to be on an equal footing with the record date of the bonus issue.

Subsection C. If the Company issues new shares – with preferential rights to its shareholders to subscribe for new shares for cash – an adjusted conversion price shall apply in accordance with the following if conversion is requested on such a date that rights to participate in the new issue do not accrue,

$$A = \frac{B * C}{D}$$

- A = adjusted conversion price
- B = preceding conversion price
- C = the average share price
- D = the average share price increased by the theoretical value of the subscription right

The average price of the share is the average of the mean of the highest and lowest prices paid each trading day in transactions as recorded on Nasdaq Stockholm during the subscription period. In the absence of a quotation of paid price, the last bid price quoted shall be used in the calculation. If neither a paid price nor a bid price is quoted on a given day, that day shall be excluded from calculation of the average share price.

The theoretical value of subscription rights is calculated in accordance with the following formula:

$$A = \frac{B * (C - D)}{E}$$

- A = the theoretical value of the subscription right
- B = maximum number of shares that can be issued according to the resolution approving the new issue
- C = average price of the share
- D = the price at which the shares are being issued
- E = number of shares outstanding prior to the resolution whereby new shares are issued

If the subscription right has a negative value, the theoretical value of the subscription rights shall be fixed at zero.

The Company has the right to wait with conversion until after the record date if it facilitates accomplishment of the issue.

The Company likewise has the right to give all holders the same preferential rights that according to the resolution belong to the shareholders. Notwithstanding that conversion has not been carried out holders shall be considered owners of the number of shares that the holder would have received if conversion had been carried out to the conversion price at the date of the resolution to issue new shares. The fact that the holder would have been able to receive a cash sum in accordance with above, shall not result in any right now in question. Adjustment of the conversion price shall not take place if the Company should decide to give the holders preferential right in accordance with these conditions.

Subsection D. If the Company effects an issue as referred to in Chapter 15 of the Swedish Companies Act – with preferential rights for the shareholders to subscribe for convertibles in return for cash payment - an adjusted conversion price shall apply in accordance with the following if conversion is requested on such a such date that right to participate in the new issue does not accrue,

$$A = \frac{B * C}{D}$$

- A = adjusted conversion price
- B = preceding conversion price
- C = average share price
- D = average share price increased by the value of subscription rights

The average share price is calculated as stated in subsection C. above.

The value of the subscription right shall be considered to correspond to the average of the mean of the highest and the lowest prices paid for such rights each trading day in transactions as recorded on Nasdaq Stockholm during the subscription period. In the absence of a quotation of a paid price, the last bid price quoted shall be included in the

calculation. If neither a paid price nor a bid price is quoted on a given day, that day shall be excluded from calculation of the value of subscription rights.

The Company has the right to wait with carrying out conversion until after the record date for the issue if it facilitates accomplishment of the issue.

The Company likewise has the right to give all holders the same preferential rights that accrue to the shareholders according to the resolution. In this case every holder shall, notwithstanding conversion has not been carried out, be considered owner of the number of shares the holder would have received if conversion had been carried out at the existing conversion price at the time of the resolution to issue convertibles. The circumstance that the holder also could have been able to receive a cash sum in accordance with the above mentioned shall not result in any right now at hand. No adjustment of the conversion price shall take place if the Company should resolve to give the holders preferential rights in accordance with those conditions.

Subsection E. Should the Company, in cases other than those set forth in subsections A. through D. above, make an offer to its shareholders to acquire on a preferential basis securities or rights of any type from the Company in accordance with the principles stated in Chapter 13, § 1 of the Swedish Companies Act or decide to distribute, in accordance with the above mentioned principles, such securities or rights to shareholders without consideration, an adjusted conversion price according to below shall be applied in connection with conversions requested at any time such that the received share does not carry rights to participate in the offer or distribution.

$$A = \frac{B * C}{D}$$

- A = adjusted conversion price
- B = preceding conversion price
- C = average share price
- D = average share price increased by the value of rights to participate in the offer or distribution

The average share price is calculated during the specified subscription period in the offer as stated in subsection C. above.

In the event that shareholders receive purchase rights and trading of such rights has occurred, the value of the right to participate in the offer shall be considered to correspond to the average of the mean of the highest and lowest prices paid for such rights each trading day in transactions as recorded on Nasdaq Stockholm during the subscription period. In the absence of a quotation of a paid price, the last price quoted shall be included in the transaction. If neither a paid price nor a bid price is quoted on a given day, that day shall be excluded from the calculation of value of the purchase rights.

In the event that shareholders have not received purchase rights or if such trading in purchase rights as referred to in the preceding paragraph has not occurred, the adjustment of the conversion price shall be calculated by applying as far as possible the principles set forth in subsection E. herein. The following shall thereby apply.

If a listing occurs of the securities or rights offered to the shareholders, the value of the right to participate in the offer shall be considered to correspond to the average of the prices paid for such securities or rights on each trading day during 25 days from and including the first day for listing calculated as the mean of the highest and lowest paid prices recorded for transactions in these securities or rights on Nasdaq Stockholm, less any consideration that is paid for these in conjunction with the offer. In the absence of a quotation of price, the last bid price quoted shall be used in the calculation. If neither a paid price nor a bid price is quoted on a given day, that day shall be excluded from calculation of the average price. When a recalculation of the conversion price is made according to this paragraph, the above mentioned 25 trading days shall be considered to correspond to the application period in the offer according to the above.

Should listing not occur, the value of the right to participate in the offer shall be determined as far as possible on the change in the market price of the Company's shares that can be considered to have arisen as a consequence of the offer.

The Company has the right to wait with conversion until after the record date for the offer if it facilitates accomplishment of the offer.

The Company likewise has the right to give all holders the same preferential rights, as according to the resolution is granted to the shareholders. In this case every holder, notwithstanding that a conversion has not been carried out, shall be considered owner of the number of shares the holder would have had received if the conversion had been carried out at the existing conversion price at the time of the resolution of the offer. The fact that the holder also could have been able to receive a cash sum according to the above shall not result in any right now at hand. If the Company should resolve to give the holders preferential rights in accordance with those conditions, no adjustment of the conversion price shall be made.

Subsection F. If a cash dividend to shareholders is decided, an adjusted conversion price shall be applied for conversions requested at such time that the shares received in such event do not carry rights to receipt of such dividend. The adjustment shall be based on the amount paid to the shareholders (as dividend and/or as reduction of the share capital with repayment to the shareholders), i.e. on the total dividend and/or repayment. The adjustment shall be made according to the following.

$$A = \frac{B * C}{D}$$

- A = adjusted conversion price
- B = preceding conversion price
- C = average share price
- D = average share price increased by the dividend and/or repayment paid per share

The average price of the share is calculated over a period of 25 trading days starting from and including the day the share is listed without rights to dividends and corresponds to the average of the mean of the highest and lowest prices paid each trading day during this

period in accordance with the official price list of Nasdaq Stockholm. In the absence of a quotation of a paid price, the last bid price quoted shall be used in the calculation. If neither a paid price nor a bid price is quoted on a given day, that day shall be excluded from the calculation.

The Company has the right to wait with conversion until after the record date for the dividends if it facilitates accomplishment of the dividend.

Subsection G. Should the Company's share capital be reduced through a repayment to its shareholders, an adjusted conversion price shall be applied for conversions requested at such time that the shares received in such event do not carry rights to receipt of such repayment. The conversion shall be based on the amount which is repaid to the shareholders (as dividend and/or as reduction of the share capital with repayment to the shareholders), i.e. on the aggregated dividends and/or repayment. The adjustment shall be made according to the following.

$$A = \frac{B * C}{D}$$

- A = adjusted conversion price
- B = preceding conversion price
- C = average share price
- D = average share price increased by the dividend and/or the amount being repaid per share

The average share price is calculated under a period of 25 trading days from and including the day the share is listed without right to repayment and corresponds to the average of the mean of the highest and lowest prices paid each trading day during this period in accordance with the official price list of Nasdaq Stockholm. In the absence of a quotation of a paid price, the last bid price quoted shall be used in the calculation. If neither a paid price nor a bid price is quoted on a given day, that day shall be excluded from the calculation.

The Company has the right to wait with conversion until after the resolution of repayment of share capital to shareholders has been registered at the Companies Registration Office, if it facilitates the accomplishment of the resolution of repayment of share capital.

Subsection H. Should the Company take action in accordance with the above and should the application of the conversion formula established for such action with reference to technical design of such action or for any other reason, not be possible, or it would result in the holders receiving, in relation to the shareholders, economic compensation that is not reasonable, the Board of Directors of the Company has the right to make adjustment of the conversion price as the Board of Directors determines appropriate to ensure that the adjustment of the conversion price leads to a reasonable result.

Subsection I. In adjusting the conversion price as described above, the price shall be rounded to units of SEK 0.10, with SEK 0.5 rounded upwards.

Subsection J. If it is decided that the Company is to enter into liquidation pursuant to Chapter 25 of the Swedish Companies Act, conversion may not be requested thereafter, regardless



of the grounds for liquidation; the right to request conversion ceases simultaneously with the decision to liquidate, notwithstanding the fact that the decision may not have come into legal force. However, the holder has the right, in such cases, to demand immediate payment of the principal amount of the convertible plus accrued interest to the date of payment. If the decision to liquidate is made at a General Meeting of Shareholders, this right becomes effective on the day following the Meeting or otherwise on the day following the date on which the court order or liquidation has come into legal force. Within a week thereafter, the Company, as provided below, shall notify the holders in writing, advising them of their right to immediate payment.

Not later than two months before the General Meeting of the Shareholders determines whether the Company should enter into voluntary liquidation, as provided in Chapter 25 of the Swedish Companies Act, the holders shall be informed, as provided below, of the planned liquidation. The notice shall include a reminder that conversion may not be requested after the Meeting has voted to liquidate.

If the Company gives notice of a planned liquidation as stated above, holders are – notwithstanding the provisions above regarding the earliest time for requesting conversion – entitled to request conversion from the date when the notice was issued, provided that conversion can be effected not later than the tenth calendar day prior to the General Meeting of Shareholders at which the issue of the Company's liquidation is to be considered.

Subsection K. If the General Meeting of Shareholders shall approve a merger agreement, in accordance with Chapter 23, § 15, of the Swedish Companies Act whereby the Company would be absorbed by another Company, conversion may not thereafter be requested.

However, the holder has the right during a period of two months from the date of such approval to demand immediate payment of the principal amount of the convertible, plus interest.

The Company shall notify holders, advising them of this right, not later than one week following the beginning of such period. Nothing contained herein shall impair rights that may legally accrue to the holders in their capacity as holders in conjunction with a merger.

Not later than two months prior to the time the Company takes a final decision on the matter of a merger as described above, the holders shall be informed by notice of such merger plans. The notice shall present a report on the principal terms of the planned merger agreement and shall remind the holders that conversion may not be requested once the merger has been fully approved in accordance with that stated in the first paragraph above.

Should the Company give notice of the planned merger as stated above, the holders shall, notwithstanding the provisions regarding the earliest time for requesting conversion, have the right to request conversion from the date when the notice of the merger plans was issued, provided that conversion can be effected not later than the tenth calendar day prior to the General Meeting of Shareholders at which the merger agreement, whereby the Company shall become part of another company, is to be approved.

Subsection L. Should the Board of Directors, in accordance with Chapter 23, § 28 of the Swedish Companies Act, conclude a merger agreement whereby the Company shall be absorbed by the parent company, or the Company's shares become subject to compulsory acquisition pursuant to Chapter 22, § 1 of the same act, the following shall apply.

If a Swedish limited liability stock company owns all shares outstanding in the Company, and the Board of Directors announces its intention of concluding a merger agreement in accordance with the stipulations in the Act cited in the preceding paragraph, the Company shall in the event that the final day for conversion pursuant to the above occurs after such announcement, determine a new closing day, i.e. a new final day for requests for conversion. The closing date shall fall within 60 days from the date of the announcement.

If anyone owns, solely or together with or through subsidiaries, more than ninety (90) per cent of all the shares in the Company (excluding shares in the Company owned by the Company itself) and such majority owner announces its intention to require such compulsory acquisition, the provisions set forth in the preceding paragraph regarding the closing date shall be applied correspondingly.

However, holders have the right during a period of 60 days from the date of such announcement stated above in this subsection to demand immediate payment of the nominal amount of the convertibles, plus interest accrued to and including the date of payment.

If public notice has been given in accordance with what has been stated above in this Subsection, notwithstanding the provisions of § 6 above with respect to the earliest date to request conversion, the holders shall have the right to request conversion up to and including the closing date. At least four weeks prior to the closing date, the Company shall, by giving notice in accordance with below, notify holders of such right and that conversion may not be requested after the closing date. In addition, the holders shall be notified of their right to request immediate payment in accordance with that stated in the preceding paragraph.

Subsection M. Notwithstanding the provisions above to the effect that conversion may not be requested after a decision is made to liquidate, approval is given for a merger agreement of the expiration of a new closing date upon merger, rights to request conversion shall be reinstated in cases when the liquidation is revoked or the agreement to merge is not implemented.

Subsection N. In the event the Company goes into bankruptcy, conversion may not be requested from that point onwards. If, however, the bankruptcy decision is revoked by a higher court of law, conversion may again be requested.

Subsection O. If the General Meeting would approve a demerger agreement pursuant to Chapter 24 § 17 of the Swedish Companies Act, whereby the Company shall demerge a part of the Company's assets and liabilities acquired by one or several other limited liability companies for a consideration for the shareholders of the Company, a recalculated conversion is applied in accordance with the principles for extraordinary dividend in section G above. The recalculation shall be based on the part of the company's assets or liabilities which will be acquired by the transferor company.

If all the Company's assets and liabilities are acquired by one or several other limited liability companies for a consideration for the shareholders of the Company, the liquidation rules in section M above shall be applicable, meaning *inter alia* that the right to demand subscription expires at the same time as the registration pursuant to Chapter 24 § 27 of the Swedish Companies Act. The holder is therefore to be notified at the latest four weeks before the demerger plan is submitted to the General Meeting.

**§ 9 Special undertaking by the Company**

The Company agrees not to undertake any measure that would result in an adjustment of the conversion price to an amount less than the quota of each share in the Company.

**§ 10 Statute of limitations**

All rights to payment of principal shall cease ten years after the maturity date of the convertibles. The right to receive interest payments shall cease three years after the respective interest payment due date. Funds allocated for payments for which rights cease to exist accrue to the Company.

**§ 11 Notification**

Notices concerning this loan shall be given to a holder, whose address is known to the Company.

**§ 12 Confidentiality**

Unless so authorized, the Company, the Bank or Euroclear may not provide information on holders to third parties. The Company has the right to obtain information on holders from the debt register kept by Euroclear.

**§ 13 Limitation of liability**

With respect to the actions incumbent on Euroclear, the Bank or the Company - Euroclear, the Bank or the Company shall not be deemed liable for loss due to Swedish or foreign legal decrees, Swedish or foreign action by public authorities, acts of war, strikes, blockades, boycotts, lockouts or other similar causes. The reservations with respect to strikes, blockades, boycotts and lockouts apply even if Euroclear, the Bank or the Company itself undertakes, or is the object of, such actions. Neither Euroclear, the Bank nor the Company shall be obligated to provide compensation for loss arising in other situations if Euroclear, the Bank or the Company respectively has exercised normal prudence and are not in any case liable for indirect damages.

If a payment or any other action is stopped by circumstances such as those described in the first paragraph, such action may be deferred until the hindrance has ceased to exist. In the event of deferred payment, the Company shall pay interest at the interest rate applicable on the due date.

**§ 14 Governing law, etc.**

These terms and conditions and any legal matters relating to the convertibles shall be governed by Swedish law. Any legal proceedings relating to the convertibles shall be instituted in the District Court of Linköping (Sw. *Linköpings tingsrätt*).

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